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INFORMATION REPORT

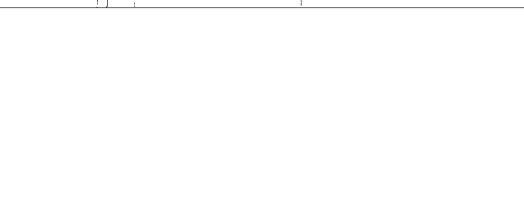
COUNTRY

China

SUBJECT

Mainland China Economic
Potentialities and Capabilities

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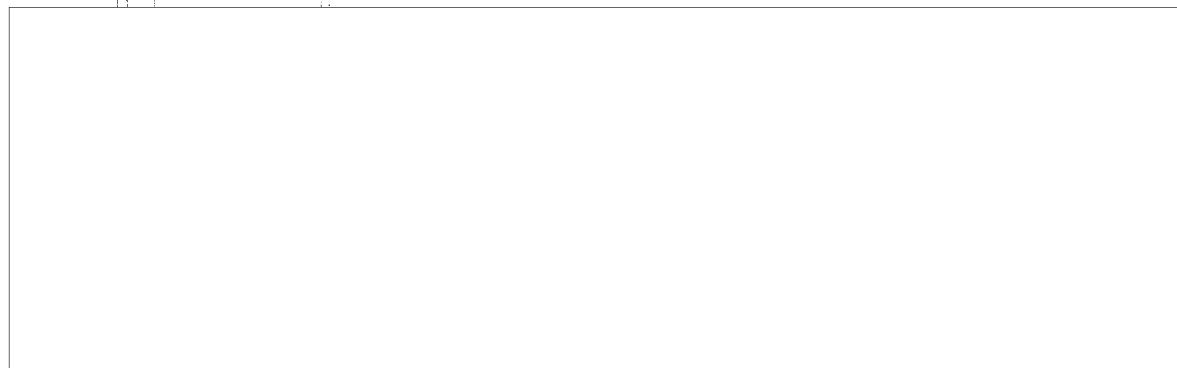
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1. China's greatest resources are the land and the people, but we do not have a scientific basis to determine exactly the quantity and the quality of land nor those of [] population. It has been said that China has an area of more than three million square miles. Limited by topography and by the conditions of rainfall and climate, the extent of arable land in China has been estimated at 157 million acres, or 16.7 percent of the total area of the country; and, the land under cultivation at 172 million acres, or 12.7 percent of the total area of the country. These ratios compare very unfavorably with the corresponding figures for the USA which are 51 percent and 18 percent respectively. The optimistic opinion of vast areas still available for cultivation in China is unwarranted. Future increases of agricultural production in China depend on the development of large irrigation projects, introduction of mechanized dry farming and the application of scientific aids rather than through a large expansion of land resources for cultivation.

2. The official estimate of China's population is 463 million for 1948, 471 million for 1949 and 483 million for 1950. In the absence of a modern census, these figures bear little relation to the facts. More important than the precise figure is the consensus that China's population is very large and its geographic distribution extremely uneven. []

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The inevitable consequence is low productivity per unit of labor. It takes four out of every five workers in China to feed the population, producing in addition a huge surplus for export. Again, agricultural over-population in China has necessitated the output of the greatest amount of food possible by growing crops directly for human consumption instead of indirectly through livestock production. The predominance of grain farming and scarcity of animal husbandry, two unique features of Chinese agriculture, have serious effects on the diet of the mass of the people. In China, calories derived from grains exceed three-fourth of the total daily calorie supply per capita, while only 6.8 percent of the total protein supply is derived from animal origin with protective food value. On and above this atomistic and primitive mode of agricultural production, already barely capable of providing the producers with a tolerable livelihood, are imposed various exorbitant exactions - such as rent, interest, profit, and the like - by parasitic parties inherent in the traditional economic structure of the country, thus depriving Chinese agriculture of the impetus to progress and the peasantry of all possibilities for advancement. Parenthetically, mention may be made of the efforts attempted during the decade before the Sino-Japanese War in 1937 for rural economic reorganization along both technical and institutional lines, but they were at best confined to the scope of local experimentation and demonstration and not for extension at a national level.

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7. Another feature of the economy of China is the under-development of modern industries. The rise of factory industry, which emerged relatively in China toward the closing years of the past century, gained momentum only in the last few decades; and the new industry is still based on power and machinery that introduced obtainable only at the fringe of a society that is predominantly pre-industrial.

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8. We are sometimes apt to praise unduly the craftsmanship and individualism of handicraft products to the neglect of the appalling degree of the inefficiency and irregularity of production. Sample studies in China

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show that with a hand spinning wheel an experienced worker can spin about four ounces of cotton yarn of less than 16 counts in a working day of ten hours. The efficiency ratio between hand spinning and machine spinning in China has been estimated to be one to 400. In the case of coal and pig iron production in China, the efficiency ratio between modern and native types of organization has been estimated to be one to seven and one to 10 respectively. The tenacity of handicraft industries in China has been made possible only because of the limited extent of her economic modernization.

10. An interesting measure of the limited extent of China's economic modernization may be found in the production statistics of coal, iron, and electric power. In 1936, China including Manchuria produced 188 pounds of coal per capita (26 million in China proper and 14 million Manchuria), three pounds of pig iron per capita (137 thousand tons in China proper and 575 thousand tons in Manchuria), and four KW hours of electric power per capita.

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The length of railway mileage may also be taken as a measure of China's limited extent of economic modernization. In 1936 China and Manchuria had about 12 thousand miles of railroads (about half and half in each), whereas the USA with practically the same area had 236 thousand miles of railways.

11. During the war period, there was some industrial development and railway construction in Free China as well as in the occupied part of China proper, but there was also some destruction and much deterioration. The most important economic development took place in Manchuria under the Japanese occupation. At the peak of the War in 1945, Manchuria reached a total capacity of 1,786,253 KW of electric power which is three times the capacity of China proper in 1936; an annual capacity of 2,521,000 metric tons of pig iron, with a maximum production of 3,719,267 metric tons in 1943 which is 2-1/2 times the production in China and Manchuria in 1936; an annual capacity of 6,665,000 metric tons of iron ore with a maximum production of 9,400,000 metric tons in 1943 which is double the production of China proper and Manchuria in 1946; an annual capacity of 2,330,000 metric tons of crude steel with a maximum production of 1,667,035 metric tons in 1943 which is almost five times the production in China proper and Manchuria in 1936; a total railway mileage of 11,906 km which is twice as much as there was in Manchuria in 1931 and little more than [redacted] in China proper in 1936.

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12. Similar developments increased production in coal, in the non-ferrous mining and metal industries, in liquid fuel and lubricants, in chemicals, cement, textiles, paper and pulp, and communications. Had the industrial capacity developed in Manchuria remain intact, it could form a substantial basis for the post-war industrialization of the entire country. The loss through removals and destruction of the equipments under the Soviet occupation ranges from 57 percent in crude steel facilities to 71 percent in pig iron, 20 percent in coal, and almost 100 percent in iron ore concentration and smelting iron production.

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